GENERAL CABLE CORP /DE/
Form 10-Q
August 12, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 3, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________.

Commission file number: 1-12983

GENERAL CABLE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	06-1398235
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
4 Tesseneer Drive Highland Heights, KY	41076-9753
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code: (859) 572-8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Class	Outstanding at August 5, 2008

Common Stock, $0.01 per value	51,976,537

GENERAL CABLE CORPORATION AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT
ON FORM 10-Q

	PAGE
PART I Financial Statements	
Item 1. Condensed Consolidated Financial Statements (Unaudited)	
Statements of Operations For the three fiscal months and six fiscal months ended July 3, 2009 and June 27, 2008	3
Balance Sheets July 3, 2009 and December 31, 2008	4
Statements of Cash Flows For the six fiscal months ended July 3, 2009 and June 27, 2008	5
Notes to Condensed Consolidated Financial Statements	6
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	33
Item 3. Quantitative and Qualitative Disclosures about Market Risk	46
Item 4. Controls and Procedures	47
PART II Other Information	
Item 1. Legal Proceedings	47
Item 1A. Risk Factors	47
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	48
Item 3. Defaults Upon Senior Securities	48
Item 4. Submission of Matters to a Vote of Security Holders	48
Item 5. Other Information	48
Item 6. Exhibits	48
Signature	49
Exhibit Index	50

Exhibit 12.1
Exhibit 31.1
Exhibit 31.2

Exhibit 32.1

Table of Contents

PART I. FINANCIAL STATEMENTS
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in millions, except per share data)
(unaudited)

	Three Fiscal Months Ended		Six Fiscal Months Ended	
	July 3, 2009	June 27, 2008	July 3, 2009	June 27, 2008
Net sales	$ 1,133.1	$ 1,742.8	$ 2,174.4	$ 3,311.2
Cost of sales	956.4	1,515.5	1,810.2	2,871.2
Gross profit	176.7	227.3	364.2	440.0
Selling, general and administrative expenses	81.7	96.7	176.7	194.1
Operating income	95.0	130.6	187.5	245.9
Other income (expense)	6.6	(1.8)	10.1	(0.4)
Interest income (expense):				
Interest expense	(22.1)	(25.1)	(44.6)	(48.8)
Interest income	0.6	3.5	1.8	6.3
	(21.5)	(21.6)	(42.8)	(42.5)
Income before income taxes	80.1	107.2	154.8	203.0
Income tax provision	(24.5)	(37.0)	(49.5)	(71.2)
Equity in earnings of affiliated companies	0.2	1.7	0.3	2.8
Net income including noncontrolling interest	55.8	71.9	105.6	134.6
Less: preferred stock dividends	0.1	0.1	0.2	0.2
Less: net income attributable to noncontrolling interest	2.8	3.2	4.2	6.8
Net income attributable to Company common shareholders	$ 52.9	$ 68.6	$ 101.2	$ 127.6
Earnings per share				

Earnings per common share-basic	$	1.02	$	1.30	$	1.95	$	2.42
Weighted average common shares-basic		52.0		52.8		51.9		52.7
Earnings per common share-assuming dilution	$	1.00	$	1.24	$	1.92	$	2.32
Weighted average common shares-assuming dilution		52.8		55.4		52.8		55.0

See accompanying Notes to Condensed Consolidated Financial Statements.

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in millions, except share data)
(unaudited)

	July 3, 2009	December 31, 2008
Assets		
Current Assets:		
Cash and cash equivalents	$ 301.3	$ 282.6
Receivables, net of allowances of $24.1 million at July 3, 2009 and $19.3 million at December 31, 2008	980.6	1,032.0
Inventories	975.5	953.2
Deferred income taxes	118.1	132.3
Prepaid expenses and other	78.3	71.5
Total current assets	2,453.8	2,471.6
Property, plant and equipment, net	971.1	880.9
Deferred income taxes	14.1	56.0
Goodwill	150.0	171.9
Intangible assets, net	199.4	201.8
Unconsolidated affiliated companies	8.1	7.5
Other non-current assets	45.4	46.7
Total assets	$ 3,841.9	$ 3,836.4
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable	$ 680.8	$ 757.2
Accrued liabilities	344.8	423.3
Current portion of long-term debt	179.0	230.5
Total current liabilities	1,204.6	1,411.0
Long-term debt	1,074.1	1,023.5
Deferred income taxes	118.5	133.6
Other liabilities	260.0	276.2
Total liabilities	2,657.2	2,844.3
Commitments and Contingencies (Note 16)		
Shareholders Equity:		
Redeemable convertible preferred stock, at redemption value (liquidation preference of $50.00 per share):		
July 3, 2009 - 76,202 outstanding shares		

December 31, 2008 - 76,233 shares outstanding		3.8		3.8
Common stock, $0.01 par value, issued and outstanding shares:				
July 3, 2009 - 51,981,549 (net of 6,148,591 treasury shares)				
December 31, 2008 - 51,775,200 (net of 6,177,498 treasury shares)		0.6		0.6
Additional paid-in capital		493.0		486.6
Treasury stock		(73.3)		(71.9)
Retained earnings		699.2		597.9
Accumulated other comprehensive income (loss)		(73.0)		(146.0)
Total Company shareholders equity		1,050.3		871.0
Noncontrolling interest		134.4		121.1
Total equity		1,184.7		992.1
Total liabilities and equity	$	3,841.9	$	3,836.4

See accompanying Notes to Condensed Consolidated Financial Statements.

4

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	Six Fiscal Months Ended	
	July 3, 2009	June 27, 2008
Cash flows of operating activities:		
Net income including noncontrolling interest	$ 105.6	$ 134.6
Adjustments to reconcile net income to net cash flows of operating activities:		
Depreciation and amortization	51.0	48.4
Foreign currency exchange (gain) loss	(10.1)	0.4
Deferred income taxes	16.9	(5.5)
Excess tax benefits from stock-based compensation	(0.7)	(6.8)
Changes in inventory provision	(14.6)	(4.3)
Convertible debt instruments noncash interest charges	19.4	17.6
Loss on disposal of property	2.6	5.2
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
(Increase) decrease in receivables	62.9	(323.2)
(Increase) decrease in inventories	12.3	(90.9)
(Increase) decrease in other assets	0.2	(0.8)
Increase (decrease) in accounts payable, accrued and other liabilities	(109.2)	165.2
Net cash flows of operating activities	136.3	(60.1)
Cash flows of investing activities:		
Capital expenditures	(87.1)	(93.0)
Proceeds from properties sold	0.8	3.6
Acquisitions, net of cash acquired		(36.2)
Other, net	1.4	(0.5)
Net cash flows of investing activities	(84.9)	(126.1)
Cash flows of financing activities:		
Preferred stock dividends paid	(0.2)	(0.2)
Excess tax benefits from stock-based compensation	0.7	6.8
Proceeds from revolving credit borrowings	91.4	93.3
Repayments of revolving credit borrowings	(80.8)	(47.3)
Proceeds (repayments) of other debt, net	(40.5)	202.9
Proceeds from exercise of stock options	0.4	2.3
Net cash flows of financing activities	(29.0)	257.8
Effect of exchange rate changes on cash and cash equivalents	(3.7)	14.1

Increase in cash and cash equivalents		18.7		85.7
Cash and cash equivalents beginning of period		282.6		325.7
Cash and cash equivalents end of period	$	301.3	$	411.4
Supplemental Information				
Cash paid during the period for:				
Income tax payments (refunds), net	$	(17.2)	$	31.6
Interest paid	$	23.4	$	20.1
Non-cash investing and financing activities:				
Issuance of nonvested shares	$	3.2	$	2.6

See accompanying Notes to Condensed Consolidated Financial Statements.

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of General Cable Corporation and Subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the three and six fiscal months ended Jul 3, 2009, are not necessarily indicative of results that may be expected for the full year. The December 31, 2008, condensed consolidated balance sheet amounts are derived from the audited financial statements but do not include all disclosures herein required by accounting principles generally accepted in the United States of America.

As discussed below in Note 2, effective January 1, 2009, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 160, *Noncontrolling Interests in Consolidated Financial Statements,* FASB Staff Position (FSP) EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* and FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement).* These accounting pronouncements, which relate to noncontrolling interest, earnings per share computation and convertible debt instruments, respectively, require retrospective application. On August 12, 2009, a Current Report on Form 8-K was filed with the Securities and Exchange Commission (SEC) to recast prior-period annual financial information to reflect certain accounting changes described above with respect to the financial information contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2008, which was filed with the United States Securities and Exchange Commission (SEC) on March 2, 2009 and subsequently amended on Form 10-K/A which was filed with the SEC on May 8, 2009 (2008 Form 10-K). These financial statements should be read in conjunction with the Current Report on Form 8-K filed on August 12, 2009 and the audited financial statements and notes thereto in the Company s 2008 Form 10-K.

The condensed consolidated financial statements include the accounts of General Cable Corporation and its wholly-owned subsidiaries. Investments in 50% or less owned joint ventures in which the Company has the ability to exercise significant influence are accounted for under the equity method of accounting. All intercompany transactions and balances among the consolidated companies have been eliminated. The Company s fiscal year end is December 31. The Company s fiscal quarters consist of 13-week periods ending on the Friday nearest to the end of the calendar months of March, June and September.

2. New Accounting Standards

In December 2008, the FASB issued Staff Position No. FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets (FSP No. FAS 132(R)-1). FSP No. FAS 132(R)-1 amends FASB Statement No. 132 (revised 2003), Employers Disclosures about Pensions and Other Postretirement Benefits, to provide guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The additional requirements of FSP No. FAS 132(R)-1 are designed to enhance disclosures regarding (i) investment policies and strategies, (ii) categories of plan assets, (iii) fair value measurements of plan assets, and (iv) significant concentrations of risk. FSP No. FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009, with earlier application permitted. Because FSP No. FAS 132(R)-1 affects only disclosure requirements, the adoption of FSP No. FAS 132(R)-1 will not affect our financial position or results of operations.

During the six fiscal months ended July 3, 2009, the Company did not change any of its existing accounting policies with the exception of the following accounting standards all of which became effective for the Company January 1, 2009:

The Company adopted Statement of Financial Accounting Standard (SFAS) No. 161, *Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133* as discussed in Note 8 of the condensed consolidated financial statements. SFAS No. 161 requires qualitative disclosures about the Company s objectives and strategies for using derivatives, quantitative disclosures about the fair

value of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements.

The Company adopted FASB Staff Position (FSP) SFAS No. 157-2 which had no impact on the Company s condensed consolidated balance sheet, statement of operations or cash flows. As discussed below in Note 18, FSP SFAS No. 157-2 partially delayed the effective date of SFAS No. 157 *Fair Value Measurements* for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

The Company adopted SFAS No. 141 (revised 2007), *Business Combinations* which had no impact on the Company s condensed consolidated balance sheet, statement of operations or cash flows. SFAS No. 141 (revised 2007) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. This standard also requires the fair value measurement of certain other assets and liabilities related to the acquisition such as contingencies and research and development.

The Company adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements.* SFAS No. 160 established new standards governing the accounting for and reporting of noncontrolling interests (NCIs) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity and that increases and decreases in the parent s ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. Consolidated net income should include the net income for both the parent and the noncontrolling interest with disclosure of both amounts on the consolidated statement of operations. SFAS No. 160 also requires that a retained noncontrolling interest upon the deconsolidation of a subsidiary be initially measured at its fair value. SFAS No. 160 is to be applied prospectively as of the beginning of the fiscal year in which it is initially adopted, except for the presentation and disclosure requirements which are to be applied retrospectively for all periods presented. As a result, the condensed consolidated balance sheet has been adjusted to reflect the reclassification of noncontrolling interest to equity, the condensed consolidated statement of operations has been adjusted to include the net income attributable to the noncontrolling interest and the disclosure of condensed consolidated comprehensive income, in Note 11, has been adjusted to include comprehensive income attributable to the noncontrolling interest.

The Company adopted FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP specifies that all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends shall be considered participating securities in undistributed earnings along with common shareholders. As a result, the Company retrospectively applied the two-class method of computing basic and diluted earnings per share resulting in a decrease in earnings per share basic of $0.04 and $0.07 for the three and six months ended June 27, 2008, respectively. Historically and for the three and six fiscal months ended July 3, 2009 and June 27, 2008, the Company did not declare, pay or otherwise accrue a dividend payable to the holders of the Company s common stock or holders of unvested share-based payment awards (restricted stock). The adoption of FSP EITF 03-6-1 had no impact on the Company s earnings per common share assuming dilution computation. For additional information see Note 14 of the consolidated financial statements.

The Company adopted FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)* as discussed in Note 7 of the condensed consolidated financial statements. The FSP specifies that when issuers of convertible debt instruments recognize interest cost, they should separately account for the liability and equity components of the instrument in a manner that will reflect the entity s non-convertible debt borrowing rate on the instrument s issuance date. As a result, the Company s condensed consolidated balance sheet, statement of operations and cash flows have been adjusted for all periods presented in accordance with the retrospective application of the FSP. As of July 3, 2009, the Company s condensed consolidated balance sheet has been adjusted to reflect the reduction in the carrying value of the Company s senior convertible notes of approximately $172.9 million, the increase in additional paid-in capital of approximately $198.2 million and net deferred taxes of approximately $32.8 million. Transaction costs of approximately $21.7 million directly related to the issuance of the Company s convertible debt instruments have been allocated to the liability and equity components in proportion to the allocation of proceeds and accounted for as $13.3 million of debt issuance costs and $8.4 million of equity issuance costs. As a result of the retrospective application, certain amounts

in the Company s 2008 consolidated balance sheet were changed and are presented below:

	December 31, 2008		
	As Reported	Adjustments	As Adjusted
Prepaid expenses and other	$ 77.6	$ (6.1)	$ 71.5
Deferred income taxes	53.9	2.1	56.0
Total assets	$ 3,840.4	(4.0)	$ 3,836.4
Long-term debt	$ 1,216.1	(192.6)	$ 1,023.5
Deferred income taxes	96.4	37.2	133.6
Total liabilities	$ 2,999.7	(155.4)	$ 2,844.3
Additional paid-in capital	$ 288.4	198.2	$ 486.6
Retained earnings	644.7	(46.8)	597.9
Total liabilities and equity	$ 3,840.4	(4.0)	$ 3,836.4

For the three and six fiscal months ended July 3, 2009, the Company s condensed consolidated statement of operations reflects the impact of incremental pre-tax noncash interest expense of approximately $10.0 million and $19.4 million, respectively. For the three and six fiscal months ended July 3, 2009, the Company s condensed consolidated statement of operations includes amortization expense related to debt issuance costs of approximately $0.6 million and $1.2 million. As a result of the retrospective application, certain amounts in the Company s 2008 condensed consolidated statement of operations were changed and are presented below for the three and six fiscal months ended June 27, 2008:

	Three fiscal months ended June 27, 2008		
	As Reported	Adjustments	As Adjusted
Interest expense	$ 16.2	$ 8.9	$ 25.1
Income tax provision (benefit)	38.9	(1.9)	37.0
Net income attributable to Company common shareholders	$ 75.6	(7.0)	$ 68.6

	Six fiscal months ended June 27, 2008		
	As Reported	Adjustments	As Adjusted
Interest expense	$ 31.2	$ 17.6	$ 48.8
Income tax provision (benefit)	75.0	(3.8)	71.2
Net income attributable to Company common shareholders	$ 141.4	(13.8)	$ 127.6

The Company adopted Emerging Issues Task Force Issue (EITF) 07-5 *Determining whether an Instrument (or Embedded Feature) is Indexed to an Entity s Own Stock* as discussed in Note 7 of the condensed consolidated financial statements. Paragraph 11(a) of SFAS No 133 *Accounting for Derivatives and Hedging Activities* specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company s own stock and (b) classified in stockholders equity in the statement of financial position would not be considered a derivative financial instrument. EITF 07-5 provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer s own stock and thus able to qualify for the SFAS 133 paragraph 11(a) scope exception. This standard was applied to the embedded conversion options contained in the Company s two convertible debt instruments. The Company determined that the embedded conversion option is indexed to the Company s own stock and classified in shareholders equity, thereby qualifying for the SFAS 133 paragraph 11(a) scope exception.

3. Acquisitions and Divestitures

On June 30, 2008, the Company and its joint venture partner, A. Soriano Corporation (Anscor), announced that the Company acquired and consolidated Phelps Dodge Philippines (PDP) through an increase of its equity investment from 40% to 60%. The Company paid approximately $16.4 million (at prevailing exchange rates) in cash to the sellers in consideration for the additional equity interest in PDP and incurred insignificant fees and expenses related to the transaction. PDP is a joint venture established in 1955 by Anscor, a Philippine public holding company with diverse investments, and Phelps Dodge International Corporation (PDIC), a subsidiary of the Company which was acquired in the fourth quarter of 2007. PDP employs approximately 277 associates and operates one of the largest wire and cable manufacturing facilities in the Philippines. The investment complements the Company s strategy in the region by providing a platform for further penetration into Southeast Asia markets as well as supporting ongoing operations in Australia, the Middle East and South Africa. In 2007, the last full year before the purchase of additional equity ownership, PDP reported net revenues of approximately $100 million. Net assets and pro forma results of the PDP acquisition are immaterial.

On May 21, 2008, the Company entered a joint venture for majority ownership of E.P.E / EN.I.CA.BISKRA/SPA (Enica Biskra), an Algerian state-owned manufacturer of low and medium voltage power and construction cables. Enica Biskra employs approximately 1,000 associates and is a leading provider of utility cables to the principal Algerian state-owned power utility and gas producer. The Company paid approximately $64.9 million in cash for its investment in Enica Biskra which included $19.1 million for the purchase of additional shares in the joint venture itself and assumed existing debt of $43.0 million (at prevailing foreign currency exchange rates on the date of purchase). Fees and expenses related to the acquisition totaled approximately $1.0 million. In 2007, the last full year before the joint venture was established, Enica Biskra reported net sales of approximately $102.0 million (based on 2007 average exchange rates). Net assets and pro forma results of the Enica Biskra acquisition are immaterial. The purchase price allocation was finalized in May 2009, see Note 6 for additional information.

The results of operations of the acquired businesses discussed above have been included in the condensed consolidated financial statements since the respective dates of acquisition.

4. Inventories

General Cable values all of its North American inventories and all of its non-North American metal inventories using the last-in first-out (LIFO) method and all remaining inventories using the first-in first-out (FIFO) method. Inventories are stated at the lower of cost or market value. The Company determines whether a lower of cost or market provision is required on a quarterly basis by computing whether inventory on hand, on a LIFO basis, can be sold at a profit based upon current selling prices less variable selling costs.

Inventories consisted of the following (in millions):

	July 3, 2009	December 31, 2008
Raw materials	$ 184.1	$ 197.4
Work in process	153.8	168.9
Finished goods	637.6	586.9
Total	$ 975.5	$ 953.2

At July 3, 2009 and December 31, 2008, $624.4 million and $610.1 million, respectively, of inventories were valued using the LIFO method before lower of cost or market provisions. Approximate replacement costs of inventories valued using the LIFO method totaled $687.3 million at July 3, 2009 and $505.9 million at December 31, 2008.

If the Company is not able to recover the LIFO value of its inventory when replacement costs are lower than the LIFO value of the inventory, the Company is required to record a lower of cost or market LIFO inventory adjustment to recognize the charge in its consolidated statement of operations. As of December 31, 2008, a lower of cost or market provision of approximately $36.3 million for copper and aluminum raw material inventory was recorded in which the replacement costs at the end of the year were lower than the LIFO value of the acquired copper and aluminum raw material inventory. Replacement costs remained below the Company s LIFO value but increased as compared to replacement costs at the end of the year resulting in a favorable adjustment to the lower of cost or market provision of approximately $9.9 million and $14.6 million for the three and six fiscal months ended July 3, 2009. The resulting lower of cost or market provision of $21.7 million is attributable to LIFO values exceeding to a lesser extent than at year end the replacement costs for acquired copper and aluminum raw material metal inventory.

5. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Costs assigned to property, plant and equipment relating to acquisitions are based on estimated fair values at that date. Depreciation is provided using the straight-line method over the estimated useful lives of the assets: buildings, from 15 to 50 years; and machinery, equipment and office furnishings, from 2 to 15 years. Leasehold improvements are depreciated over the life of the lease unless acquired in a business combination, in which case the leasehold improvements are amortized over the shorter of the useful life of the assets or a term that includes the reasonably assured life of the lease.

Table of Contents